U.S Department of Housing and Urban Development

Spotlight on the Housing Market in the St. Louis, MO-IL MSA

The Obama Administration's Efforts To Stabilize the Housing Market and Help American Homeowners | October 2014

The St. Louis, MO-IL Metropolitan Statistical Area (St. Louis MSA) is located along the Mississippi River and includes the Independent city of St. Louis, MO, 14 counties (six in Missouri and eight in Illinois) and Sullivan City, MO (part of Crawford county). The foreclosure crisis was less severe than in some areas of the nation, but the recovery from the crisis and subsequent recession has been slower than nationally. Home prices appreciated at only half the national rate during the housing bubble, but the decline in prices was nearly as sharp. The lower property values and the resulting underwater mortgages were partially fueled by investor speculation and excess housing construction going into the crisis, but mainly by unsustainable mortgage lending. The rise in unemployment during the recession added further to rising defaults and the decline in property values. The share of mortgages at risk of foreclosure (those 90 or more days delinquent or in the foreclosure process) peaked at the beginning of 2010, the same as for the nation, but at a much lower rate. A partial explanation for the lower share of distressed mortgages in the foreclosure pipeline is the lower foreclosure processing time in Missouri–an average of 285 days compared to 577 nationally–although the foreclosure processing timeline in Illinois is high at 850 days. The share of mortgages at risk of foreclosure has begun to decline in St. Louis–the result of four years of modest job growth, fairly stable gains in home prices and local legislation that curtailed foreclosure actions. The need for recovery efforts continues, however, as St. Louis ranks high among metropolitan areas for the share of mortgages that remain underwater or near underwater. The Administration's broad approach to stabilizing the housing market has been a real help to homeowners in St. Louis and the surrounding area. This addendum to the Obama Administration's Housing Scorecard provides a summary of local economic trends and conditions and the impact of the Administration's efforts to stabilize the housing market and help local homeowners.

Population Growth, Employment, and Housing Market:

With more than 2.7 million people according to the most recent Census, the St. Louis MSA is the 19th largest in the nation. From 2000 to 2010, the population increased by an average of 11,250 people, or 0.4 percent, a year. Natural population growth (births minus deaths) accounted for nearly 100 percent of population growth during this period. An average of only 20 people per year moved to the St. Louis MSA during the last decade, accounting for a very small percentage of the net population increase.

St. Louis MSA Housing Unit Growth Outpaced Population and Household Growth During the Past Decade		
Date of Census	4/1/2000	4/1/2010
St. Louis MSA Population	2,675,343	2,787,701
Annual Growth Rate	-	0.4%
St. Louis MSA Households	1,012,419	1,119,020
Annual Growth Rate	-	1.1%
St. Louis MSA Housing Units	1,092,915	1,236,222
Annual Growth Rate	-	1.3%

Source: Census Bureau (2000 and 2010 Decennial)

During the decade spanned by the Census, new housing production exceeded household growth in St. Louis. Net annual housing unit growth of 1.3 percent in the St. Louis metropolitan area during the last decade was greater than the corresponding population and household growth rates of 0.4 and 1.1 percent, respectively. According to the Census Bureau, the rate of increase in vacant units in the St. Louis metro area during the 2000s was slightly higher than the national rate, with vacant units increasing at an average annual rate of 4.6 percent, compared with 4.4 percent nationally. Investor speculation stimulated some overbuilding in the years leading up to the housing crisis, but the increase in the share of investor purchases remained below the national upturn. Specifically, from 2000 to 2005 investor home sales rose from 5.5 to 8.3 percent of total sales in the St. Louis metro area, while the corresponding increase for the nation was from 8.0 to 14.6 percent. Subprime lending also contributed to overbuilding in the St. Louis MSA. A study by the National Bureau of Economic Research indicates that the St. Louis MSA ranked 35th out of the top 107 metros with the highest share of subprime originations during 2005, with subprime originations as a share of new mortgages at 21 percent in St. Louis. A conservative estimate based on HMDA (Home Mortgage Disclosure Act) data indicates that high-cost (proxy for subprime) originations tripled nationally between 1998 and 2005, while a study by the Center for Responsible Lending estimates that approximately 90 percent of subprime mortgages during that period faced increases in monthly payments of 30 to

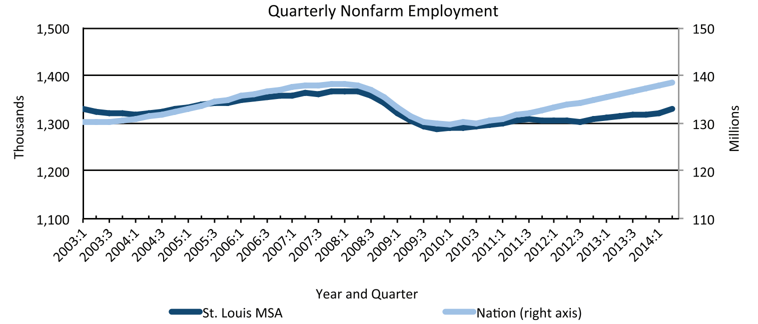
50 percent within a few years, causing subprime loans to typically default at more than 7 times the rate of other mortgages.

St. Louis' economy is improving. The local economy was growing slowly before it began to decline in 2008. From the second quarter of 2004 through the first quarter of 2008, jobs increased at an average annual rate of 1.0 percent, compared with a national increase of 1.4 percent during the same period. The impact of the Great Recession was not quite as severe for the St. Louis metropolitan area as it was for the nation. Jobs in the MSA declined at an annual rate of 2.8 percent, from the second quarter of 2008 through the first quarter of 2010, compared with a national decline of 3.1 percent. The recovery from the recession has been weaker for the St. Louis MSA than for the nation, however, with jobs increasing at an annual rate of 0.7 percent from the second quarter of 2010 through the second quarter of 2014, compared with a 1.6-percent increase nationally.

The St. Louis MSA is home to several large hospitals and institutions of higher learning. During the recent recession, a period when every other private sector in the MSA lost jobs, the education and health services sector expanded at an average annual rate of 2.9 percent. Job losses were most severe during this period in the construction and manufacturing sectors, which declined at annual rates of 13.2 and 9.4 percent, respectively; job losses were also fairly substantial in the professional and business services sector (3.7 percent). The recovery from the recession has been led by the leisure and hospitality and professional and business services sectors, which expanded by respective annual rates of 3.6 and 3.0 percent. Gains in the education and health services sector continued, but slowed to an average rate of 1.3 percent during this period. Growth in these sectors was offset by average annual job losses of 6.1 percent in the state government and 4.4 percent in other services. The unemployment rate for the St. Louis MSA peaked at 10.4 percent in December 2009 and has since fallen to 6.5 percent as of September 2014. The national unemployment rate peaked in October 2009 at 10.0 percent, falling to 5.9 percent by September 2014.

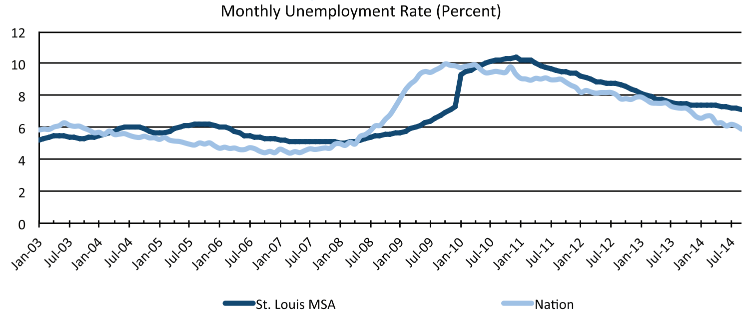
Home sales in St. Louis have improved, but slowed somewhat in 2014. After reaching a peak of 77,200 units sold in 2004, purchases of existing homes in the St. Louis metropolitan area declined by an average annual rate of 7 percent between 2005 and 2011. Existing home sales began to rise again in 2012 and 2013, increasing at an annual rate of 12 percent (although on a much lower base), but sales so far in 2014 have declined by 9 percent

Job Market Conditions in St. Louis
Were Similar to the Nation's Until 2011



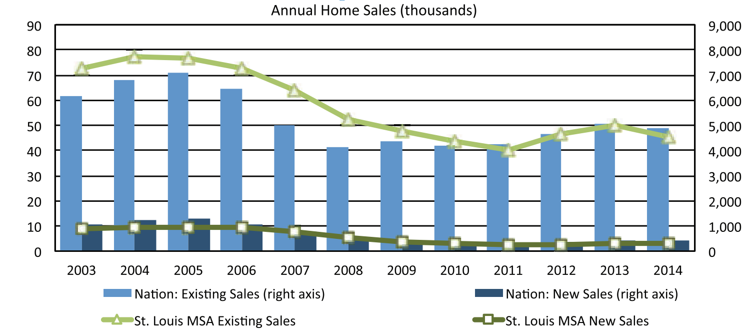
Seasonally Adjusted Data
Source: Bureau of Labor Statistics

Unemployment Rates Have Declined in St. Louis
but Remain Higher Than the National Rate



Seasonally Adjusted Data
Source: Bureau of Labor Statistics

New and Existing Home Sales:
St. Louis Compared With the Nation



Sources: CoreLogic, HUD/Census Bureau, and National Association of Realtors.
Note: Annual sales for 2014 are estimated based on data from January through August 2014.

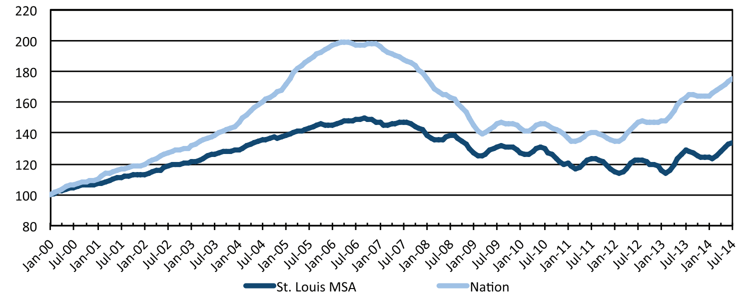
to an annual pace of 45,300. By comparison, existing home sales in the nation peaked in 2005 and declined by an annual rate of 14 percent between 2006 and 2008; existing home sales began to rise in 2009, increasing at an average annual rate of 3 percent from 2009 to 2014. Purchases of new homes in the St. Louis MSA peaked in 2005 at 9,700 units, before falling from 2006 through 2011 at an annual rate of 12 percent. New home sales increased at an average annual rate of 16 percent (albeit on a low base) in 2012 and 2013, but the pace in 2014 has fallen 14 percent to an annual pace of 2,800 units sold. Nationally, new home sales also peaked in 2005 before declining by an annual rate of almost 13 percent from 2006 through 2011; sales have increased since at an annual rate of 14 percent (also on a low base) from 2012 through 2014.

Home prices in St. Louis rose less steeply than for the nation but nonetheless experienced a sharp decline. The CoreLogic repeat-sales house price index (HPI) shows that home prices in the St. Louis MSA rose at half the pace of the rest of the nation during the housing bubble but still fell 24 percent from their peak in September 2006 to their low in February 2012. The national peak-to-low decline was 33 percent (from April 2006 to March 2011). Investor speculation had less of an impact on the rise in home prices in the St. Louis MSA, with sales to investors averaging 8 percent in St. Louis during the bubble–much lower than the 13 percent share nationally. As described earlier, subprime lending was also a factor in fueling home prices in the St. Louis MSA. Since reaching their low point, home prices have risen 17 percent in the St. Louis metropolitan area–about half the 31 percent low-to-current increase for the nation. Home values in the St. Louis MSA are currently on par with prices in mid-2004.

The apartment vacancy rate in St. Louis has been slightly higher than the national rate during the past four years. According to MPF Research, the St. Louis MSA apartment vacancy rate was 5.9 percent in the second quarter of 2014, down from 6.8 percent a year earlier, representing generally balanced market conditions. The decrease in the vacancy rate occurred despite increased construction because demand for rental housing was extremely high during the prior year. The national apartment vacancy rate was 4.4 percent during the second quarter of 2014, down slightly from 4.7 percent a year earlier. During the second quarter of 2014, the average apartment rent in the St. Louis MSA increased 3.6 percent from a year earlier to $803, compared with a nationwide increase of 3.4 percent to $1,152. Overall rental market conditions in the St. Louis metro area remain weaker than the apartment market due to a high number of vacant single-family rental properties. According to the CPS/HVS (Current Population Survey/Housing Vacancy Survey) conducted by the Census Bureau, as of the third quarter of 2014 the overall rental vacancy rate for the St. Louis MSA was 12.9 percent compared to a national rate of 7.4 percent. The 2013 ACS (American Community Survey) indicates that single-family homes accounted for 37 percent of all rental units in the St. Louis MSA, while representing 35 percent of all rental units in the nation.

St. Louis Home Prices Declined Sharply, Although Their House Price Bubble Was Small

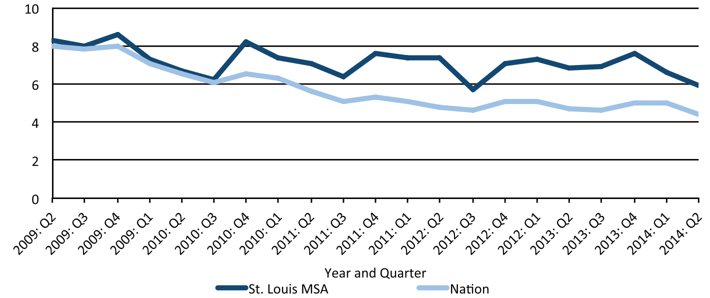
Repeat-Sales House Price Index (Jan 2000 = 100)



Source: CoreLogic

St. Louis Apartment Vacancy Rate Is Higher Than the National Rate

Quarterly Apartment Rental Vacancy Rates (Percent)



Source: MPF Research

Trends in Mortgage Delinquencies and Foreclosures:

The share of distressed mortgages in St. Louis did not reach national levels. According to Black Knight Financial Services, Inc., as of August 2014 the St. Louis MSA placed 208th out of 381 metropolitan areas ranked by share of mortgages at risk of foreclosure (90 or more days delinquent or in the foreclosure process). From 2000 through 2006, the share of mortgages at risk of foreclosure in the St. Louis MSA was very similar to the national rate according to CoreLogic data. In 2007 and 2008, when the foreclosure crisis began and single-family foreclosures were largely driven by unaffordable non-traditional loan products, the increase in mortgages at risk of foreclosure in the St. Louis MSA followed the national trend, but at a slower rate. From the beginning of 2007 to the end of 2008, the share of distressed mortgages in St. Louis rose from 1.8 to 3.3 percent, compared with a national increase from 1.6 percent to 4.5 percent. Beginning in 2009, foreclosures were increasingly driven by loss of income, unemployment, and strategic defaults as the economy worsened, according to research by the Federal Reserve Bank of Chicago. A sharp spike upward in the rate of distressed mortgages occurred in 2009 for both the St. Louis MSA and the nation. By early 2010, mortgages at risk of foreclosure peaked at 8.0 percent nationally and at 5.5 percent in St. Louis. The share of distressed mortgages has since fallen to 3.9 percent nationally and to 2.9 percent in St. Louis.

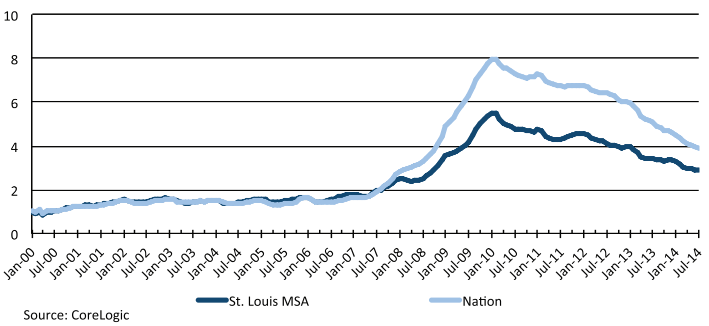
Over the last year, mortgages at risk of foreclosure in St. Louis decreased by 20 percent–from 13,550 to 10,850–compared with a national decline of 30 percent over the same period. A partial explanation for the lower share of distressed mortgages in St. Louis relative to the nation may be a shorter foreclosure processing time in Missouri, although the timeline in Illinois is longer than nationally. As of the second quarter of 2014, the average time to complete a foreclosure was 285 days in Missouri, much lower than the national average of 577 days, although the average time was 850 days in Illinois.

Realty Trac data show foreclosure completions in St. Louis have been close to the national average since April 1, 2009, but are higher in the most recent quarter. From April 2009 through August 2014, the number of foreclosure completions as a percentage of all housing units was 2.9 percent in St. Louis, slightly lower than the 3-percent rate for the nation. Foreclosure completions have been trending downward in the St. Louis MSA since 2012. During the second quarter of 2014, the St. Louis metropolitan area had a foreclosure completion rate of 0.1 percent, slightly higher than the national average of 0.06 percent during the same time period. The number of foreclosure completions in St. Louis in the second quarter of 2014 is 25 percent below the rate a year earlier, however.

The efforts of numerous state and local entities and financial institutions in partnership with the federal government have helped contain the rate of foreclosures. In 2010, Illinois passed a law allowing homeowners to block a judicial sale if they could prove they had applied for a loan modification under the Federal Home Affordable Modification Program (HAMP) and the property was sold in violation of the program's terms. In 2013, Governor Pat Quinn of Illinois signed Senate bill 1045 which extended the law through the end of 2015. The need for recovery efforts continues, as 8.5 percent of mortgages in the St. Louis MSA remain underwater as of the second quarter of 2014 according to CoreLogic, although this is down from 11.8 percent a year earlier. This compares to a 10.7 percent share of underwater borrowers at the national level. According to Zillow Inc., St. Louis ranked fourth among metropolitan areas with the highest proportion of homeowners that remain "effectively" under water on their mortgages. Effectively underwater mortgages are defined by Zillow to include homeowners whose equity is negative or those who have less than 20 percent positive equity in their homes.

Foreclosure Completion Rates in the St. Louis MSA				
	Second Quarter 2014		Since April 1, 2009	
Area	Foreclosure Completions	Foreclosure Rate	Foreclosure Completions	Foreclosure Rate
St. Louis MSA	1,200	0.10%	36,180	2.9%
Nation	85,300	0.06%	3,921,900	3.0%

Note: Foreclosure Rates as Percent of All Housing Units;
Data through August 2014 for foreclosures since April 2009
Source: Realty Trac and Census Bureau



Share of Distressed Mortgages in St. Louis Remains Elevated Although Lower Than for the Nation

The Administration's Efforts To Stabilize the St. Louis MSA Housing Market

The Administration's mortgage and neighborhood assistance programs–the Home Affordable Modification Program (HAMP, which is part of the broader Making Home Affordable program), the Federal Housing Administration (FHA) mortgage assistance programs, the Neighborhood Stabilization Program (NSP), and the Hardest Hit Fund (HHF) program–combined with assistance from the HOPE Now Alliance of mortgage servicers and the National Mortgage Servicing Settlement have helped stabilize the St. Louis MSA housing market.

From the launch of the Administration's assistance programs in April 2009 through the end of August 2014, nearly 66,200 homeowners have received mortgage assistance in the St. Louis metropolitan area. More than 44,700 interventions were completed through the HAMP and FHA loss mitigation and early delinquency intervention programs. An estimated additional 21,500 proprietary mortgage modifications have been made through HOPE Now Alliance servicers. While some homeowners may have received help from more than one program, the number of times assistance has been provided in the St. Louis metropolitan area is nearly twice the number of foreclosures completed during this period (36,200).

Under the landmark National Mortgage Servicing Settlement signed in February 2012, more than 6,259 Missouri homeowners have benefitted from over $250 million in refinancing, short sales and completed or trial loan modifications, including principal reduction on first and second lien mortgages provided as of June 30, 2013. Nationwide, the settlement has provided more than $50 billion in consumer relief benefits to more than 631,000 families. That is in addition to the $2.5 billion in payments to participating states and $1.5 billion in direct payments to borrowers who were foreclosed upon between 2008 and 2011.

Given over three rounds, the **Neighborhood Stabilization Program** has invested $7 billion nationwide to help localities work with non-profits and community development corporations to turn tens of thousands of abandoned and foreclosed homes that lower property values into homeownership opportunities and the affordable rental housing that communities need.

NSP1 funds were granted to all states and selected local governments on a formula basis under Division B, Title III of the Housing and Economic Recovery Act (HERA) of 2008; NSP2 funds authorized under the American Recovery and Reinvestment Act (the Recovery Act) of 2009 provided grants to states, local governments, nonprofits and a consortium of nonprofit entities on a competitive basis; and NSP3 funds authorized under the Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010 provided neighborhood stabilization grants to all states and select governments on a formula basis.

In addition to stabilizing neighborhoods and providing affordable housing, NSP funds have helped save jobs. Each home purchased, rehabilitated and sold through the NSP program is the result of the efforts of 35 to 50 local employees.

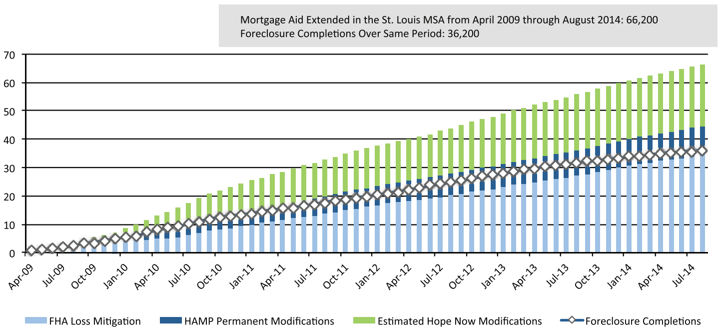
Overall, a total of $23.8 million in NSP funds has been awarded to jurisdictions in the St. Louis MSA either as a direct grantee or as a sub-recipient: the **City of St. Louis, MO; St. Louis County, MO**, and **Madison County, IL.** Approximately 87 households in the MSA have already benefited from NSP, and activities funded by the program are expected to provide assistance to an additional 85 owner-occupied and renter households.

The **City of St. Louis** received a total of $14.5 million in NSP funding. The City, through its Community Development Administration (CDA), invested $12.8 million to acquire and rehabilitate foreclosed residential properties in neighborhoods with the highest rates of foreclosure and subprime mortgages. Removing vacant properties and introducing new residents helped to stabilize these neighborhoods. Special attention was given to preserving the St. Louis' historic housing stock, which is considered to be a critical asset of the City, as well as to introduce sustainable and energy efficient materials. The CDA coordinated with both non-profit housing entities and for-profit corporations to conduct the NSP residential development projects.

- In the **Hyde Park** neighborhood, the City of St. Louis invested $3 million in NSP funding and $1 million in HOME funding to complete Hyde Park South, a scattered-site development project. HOME is a HUD program providing grants to states and localities to create affordable housing. The project involved substantial rehabilitation of 27 historic buildings within a concentrated eight-block radius and created 50 affordable rental units in addition to reutilizing three vacant commercial spaces. The City also relied on Federal and State Historic and Low Income Housing Tax Credits to fund the project.

St. Louis MSA Housing Units to Date Benefitting From NSP by Type of Activity	
Construction or Rehabilitation	76
Demolition and Clearance	10
Homeownership Assistance to Low- and Moderate-Income	1
Total Housing Units	**87**
Additional Projected Housing Units	**172**

Mortgage Aid Provided Nearly 66,200 Times To Mitigate Rising Foreclosures
St. Louis MSA: Cumulative Offers of Aid by Source Compared With Foreclosures Since April 1, 2009 (Thousands)



Note: Data on HOPE Now proprietary mortgage modifications are not available at the metropolitan area level. However, HOPE Now Alliance reports 196,200 non-HAMP modifications since April 1, 2009 in Missouri and Illinois of which 11 percent are estimated by HUD to have occurred in the St. Louis MSA. This chart excludes HAMP trial modifications not made permanent.

Sources: Departments of HUD and Treasury, HOPE Now Alliance, and Realty Trac.

- In the **Dutchtown and Mt. Pleasant** neighborhoods located in the southern part of St. Louis, over 17 percent of residential units were affected by foreclosure between 2002 and 2008. Approximately $1.1 million in NSP funds were allocated to this area to rehabilitate and sell seven single-family homes.

- **St Louis County, MO** received $12.2 million in NSP funding. A portion of the funds have been used to improve Lemay, a community in the southern portion of the county adjacent to the City of St. Louis. Working with LeMay Housing Partnership, ten blighted structures have been demolished, six vacant properties have been rehabilitated, 15 residential units have been constructed or are in the process of construction, and 40 lease-purchase homes have been built. St. Louis County utilized Home Investment Partnership funds, Community Development Block Grants, Low Income Housing Tax Credits, and community resources to address the various needs of the community.

- With $2.6 million in NSP funds, Madison County Community Development (MCCD) constructed or rehabilitated 29 residential units in **Madison County, IL.** A 16-unit multifamily property that serves single-person households with mental health challenges was renovated. In partnership with the Madison County Affordable Housing Corporation (MCAHC), 5 new single-family rental homes to serve physically disabled and sensory impaired low-income families were constructed in Madison, IL. Four of the eight remaining units were rehabilitated and four were newly constructed homes.

The Administration allocated $445.6 million from its **Hardest Hit Fund** to the state of Illinois. The Illinois Housing Development Authority (IHDA) oversees the Illinois Hardest Hit Fund (HHF) program, which was launched in July 2011. The Illinois HHF offers several assistance options to homeowners at high risk of default or foreclosure. These programs include: the Homeowner Emergency Loan Program (HELP), the Mortgage Resolution Fund (MRF), the Home Preservation Program (HPP), and the Blight Reduction Program (BRP).

The Homeowner Emergency Loan Program provides up to 18 months or $35,000 in monthly mortgage payment and/or reinstatement assistance, paid to the lender on behalf of unemployed and underemployed homeowners. The Home Preservation Program provides principal reduction or reinstatement assistance to help homeowners in obtaining a refinance, recast, or permanent mortgage modification and to achieve an affordable payment (less than or equal to 38 percent of monthly income).

Through a public-private partnership, the Mortgage Resolution Fund facilitates modifications for delinquent and distressed mortgages purchased from lenders. This loan-purchase and modification program is offered on a select basis in six Chicago metro-area counties. Illinois recently approved and plans to launch its new Blight Reduction Program, which will be offered in partnership with local governments and nonprofit partners in targeted neighborhoods throughout the state. This program is designed to prevent avoidable foreclosures through the demolition, greening, and ongoing maintenance of abandoned and blighted residential properties.

As of June 30, 2014, the most recent quarter for which data are available, approximately $262 million in HHF assistance has been disbursed on behalf of 13,371 Illinois homeowners. The Illinois HHF closed its portal to new applicants on September 30, 2013. IHDA will continue to administer program funds and review existing applicants until all program funds have been committed. For alternative options, homeowners seeking assistance with their mortgage can visit the Illinois Foreclosure Prevention Network website: www.keepyourhomeillinois.org.